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U.S. DEPARTMENT OF AGRICULTURE
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SUBCOMMITTEE ON AFRICA AND GLOBAL HEALTH
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Mr. Chairman, members of the committee, I am pleased to appear before you today to discuss the role of local and regional purchase of U.S. food aid in the context of the U.S. Department of Agriculture's food aid programs.

Background

The Food, Conservation, and Energy Act of 2008 (the 2008 Farm Bill) directed USDA to undertake a local and regional procurement pilot program. USDA is pleased to bring its expertise in food aid delivery to implement this program effectively.

USDA's food aid programs have helped feed millions of hungry people around the world. We are proud to operate both the Food for Progress Program and the McGovern-Dole Food for Education and Child Nutrition Program.

Local and regional purchase of food aid has the potential to provide another tool – like prepositioning of food commodities which is also an important tool but not a substitute for local and regional purchase -- in support of President Obama's commitment to work in partnership with the people of poor nations "to make your farms flourish and let clean waters flow; to nourish starved bodies and feed hungry minds."

The pilot program will help inform USDA on how efficient and cost-effective local and regional purchases compare to traditional food aid procurement.

Local and Regional Food Aid Procurement Pilot Project

The 2008 Farm Bill directs the Secretary of Agriculture to implement a local and regional purchase pilot program in developing countries through

fiscal year 2012. Congress specifically directed that the pilot program be used for food crises and disasters, as well as field-based projects that provide development assistance for a period of not less than one year. Additionally, the Secretary is to implement the program in a way to ensure that it will not disrupt the local and regional markets.

The first step in designing the program was for the Secretary of Agriculture to submit a study on local and regional procurement to the House of Representatives Committee on Agriculture, the Senate Committee on Agriculture, Nutrition and Forestry, and the House of Representatives Committee on Foreign Affairs. That report was provided in January 2009.

USDA consulted with the U.S. Agency for International Development, given its experience with local and regional procurement, as well as with other donor countries, private voluntary organizations (PVOs), and the World Food Program of the United Nations in preparing the study. The study found the following:

- Local and regional purchase is an important tool, enabling food aid agencies to respond quickly to emergency food needs, both during and after food crises and disasters.
- Local and regional purchase can be a timely and effective complement to in-kind food aid programs.
- Market intelligence on when and how to use appropriate local and regional purchase methods to meet food aid needs, and avoid harming low-income consumers, producers, and fragile market systems, is critical.

We will issue guidelines to implement the pilot program by mid-July.

After publishing the guidelines, USDA will begin to solicit proposals from organizations to conduct local purchase pilot programs. These organizations must be eligible under the Food for Peace Act and, in the case of PVOs, subject to the guidelines promulgated for this pilot program. The Farm Bill provides that the Secretary shall use \$25 million of Commodity Credit Corporation (CCC) funds in each of fiscal years 2010 and 2011 to implement the local and regional purchase pilot program.

The Farm Bill requires a diversity of field-based projects be undertaken in food surplus regions, food deficit regions, and multiple geographical regions.

Africa is designated as the priority area of operations, and USDA is required to fund the majority of field-based projects in Africa.

Finally, the Farm Bill requires the Secretary to ensure that an independent third party conducts a comprehensive independent evaluation of the field-based pilot projects. The independent evaluation must include a number of factors, including prevailing and historic price movements of the local markets, the impact on local consumer prices, costs for storage, handling, transportation, and administration, and the impact on large and small producers. The Farm Bill provides that the Secretary shall use \$5 million of CCC funds in fiscal year 2012, the year in which the evaluation will be carried out.

USDA has the capacity to implement the pilot program. Our experience with the pilot will help inform us for the future.

Government Accountability Office Study

It is timely that the Government Accountability Office (GAO) was doing a study of local and regional procurement at the same time that USDA was studying this tool. We came to many of the same conclusions as GAO. The GAO study has highlighted some additional points to consider when implementing local and regional procurement. USDA has reviewed the GAO study thoroughly.

We agree with GAO that local and regional procurement is an important tool that, when used appropriately, at the right time and under the right conditions can reduce commodity and transportation costs and shorten delivery times. We share GAO's concern that poorly targeted local and regional purchases have the potential to lead to price spikes and shortages of staple foods in source countries. Likewise, poorly targeted distributions of in-kind food aid have the potential to depress prices and negatively impact domestic production in recipient countries. USDA agrees that the best way to mitigate these potential adverse affects is through improved market intelligence.

As GAO noted, the existing memorandum of understanding on cargo preference does not specifically addresses issues related to local and regional purchases. While cargo preference is not the subject of this hearing, USDA looks forward to working with the U.S. Agency for International

Development and the Maritime Administration to clarify the application of cargo preference to this type of food aid.

Creating Sustainable Economic Growth

In addition to feeding hungry people, USDA's food aid programs provide opportunities to use USDA's global capacity building and development expertise to help developing countries create sustainable economic growth that improves people's lives. We can share with developing countries the tools they need to develop their own extension services; educate farmers, food processors, shippers, marketers, and exporters in the latest agricultural technology; build cold storage and food production facilities; and get agricultural products to market for domestic or foreign consumption. These tools complement other such activities undertaken by the U.S. Agency for International Development (USAID), and the Department of State to help the United States Government (USG) better enable developing countries attain food security.

We strongly believe that successful developmental efforts come from the local level. USDA and the Foreign Assistance agencies of the USG have knowledge and resources that can assist with development, but recipients best know their barriers and needed actions. We must work in partnership with the recipients to design sustainable and effective projects.

Fully Utilizing USDA's Food Aid and Development Programs

USDA, like all parts of the USG food aid implementers, has built long-term capacity building and development aspects into all our food assistance programs. This makes them well-suited to respond to the President's call to help stabilize emerging economies and rejuvenate failed and weakened states.

For example, last month Secretary Vilsack announced plans for \$27.5 million in assistance for Pakistan and Afghanistan under our Food for Progress Program. The Government of Afghanistan will use the proceeds from the sale of U.S.-donated vegetable oil to implement agricultural and rural development projects.

We are particularly proud to administer the McGovern-Dole International Food for Education and Child Nutrition (McGovern-Dole) Program. To date, USDA has provided meals to more than 22 million children and boosted attendance in schools in 41 countries, particularly for young girls, under the McGovern-Dole Program and its predecessor.

McGovern-Dole Program funds have helped build school gardens and fish ponds; improve sanitation systems; rehabilitate schools; and remove unexploded ordnance preventing children from attending school. The Administration requests a historic doubling for this program from \$100 million in the FY 2009 Omnibus Appropriations Act to almost \$200 million in the President's FY 2010 Budget, in order to serve additional children.

Conclusion

The Administration is committed to a permanent solution for food insecurity. We look forward to implementing the local and regional procurement pilot program and using it as another tool to achieve our goal of improving the lives of hungry and malnourished people. I look forward to any comments or questions you may have. Thank you.

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